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S E C R E T SECTION 01 OF 05 PANAMA 08545

E.O.12356: DECL:OADR
TAGS: PGOV PREL PM US
SUBJECT: PANAMANIANS HOPE FOR A SUCCESSFUL COUP
-- NORIEGA PLANS FOR A NEW YEAR IN POWER

11. SECRET - ENTIRE TEXT.

SUMMARY

12. THROUGHOUT 1989, RAPIDLY UNFOLDING POLITICAL DEVELOPMENTS HELD OUT HOPE TO MANY PANAMANIANS FOR A RESOLUTION TO PANAMA'S POLITICAL AND ECONOMIC CRISIS: THE ELECTION OF MAY 7, THE SUBSEQUENT OAS NEGOTIATIONS, THE CONSTITUTIONAL DEADLINE OF SEPTEMBER 1, THE COUP ATTEMPT OF OCTOBER 3, AND THE TREATY DEADLINE OF JANUARY 1, 1990. PROJECTING INTO THE FIRST HALF OF 1990, NO SUCH HOPEFUL EVENTS AND DATES ARE READILY APPARENT. THE OPPOSITION'S MAIN OBJECTIVE WILL BE TO SURVIVE POLITICALLY, ECONOMICALLY, AND LITERALLY UNTIL THE NEXT COUP. NORIEGA WILL HAVE TO TRY AND CONSOLIDATE HIS CONTROL OVER THE PANAMA DEFENSE FORCES (FDP) AND AVOID ANOTHER UPRISING.

13. PRESSURES ON NORIEGA HAVE INCREASED ACROSS THE BOARD, BUT HE SEEMS TO HAVE DETERMINED THAT HE CAN MANAGE THEM. DESPITE NEW U.S. ECONOMIC SANCTIONS, THE MOST PRECIPITOUS ECONOMIC DROP IS OVER FOR NOW, FOLLOWING A TWO-YEAR, 25 PERCENT DROP IN GDP. INTERNATIONAL ISOLATION REMAINS AN IRRITANT TO THE REGIME, BUT IT IS NOT A SERIOUS PROBLEM FOR NORIEGA'S STABILITY. U.S. ACTIONS, FROM THE APPOINTMENT OF AN ACTING CANAL ADMINISTRATOR TO RUMORED COVERT PLANS AGAINST NORIEGA AS WELL AS NEW ECONOMIC SANCTIONS, ALLOW NORIEGA TO BEAT THE NATIONALISTIC DRUM AND MAKE IT APPEAR AS IF DOMESTIC SUPPORT FOR HIM IS GROWING.

14. NORIEGA'S WEAKEST POINT REMAINS HIS OWN INSTITUTION. WHISPERS THAT "THE OCTOBER 3 COUP IS NOT OVER" CONTINUE AND NORIEGA CONTINUES TO HOLD ON MAINLY BY BRUTAL REPRESSION OF ANY POTENTIAL NEW INSIDE OPPONENTS. WHEN ANOTHER ACTION TO REMOVE NORIEGA WILL TAKE PLACE IS UNCERTAIN, BUT WAITING FOR THAT POSSIBILITY IS THE MAIN PROSPECT FOR PANAMA IN 1990. END SUMMARY.

THE CRISIS GRINDS ON

15. THE PANAMA CRISIS CONTINUES TO GRIND ON WITH NO CLEAR END IN SIGHT. NORIEGA TENACIOUSLY HOLDS ON TO POWER, INTIMIDATING HIS OPPONENTS AND FIRING UP HIS SUPPORTERS WITH SLOGANS CALLING FOR RETRIBUTION AGAINST "PANAMANIAN TRAITORS AND THEIR U.S. MASTERS," SHOULD ANYTHING HAPPEN TO HIM. NORIEGA IS WEAKER THAN HE WAS AT THIS TIME LAST

YEAR, BUT THE IMPACT OF THE CURRENT SET OF PRESSURES HAVE SO FAR FAILED TO EJECT HIM FROM OFFICE.

16. NEVERTHELESS, RECENT PRESS REPORTS OF AN ALLEGED U.S. COVERT ACTION PLAN AGAINST NORIEGA HAVE ONCE AGAIN RAISED HOPES OF SOME PANAMANIANS THAT THIS MAY BE THE BEGINNING OF HIS END. NORIEGA HIMSELF IS APPARENTLY ATTACHING SOME CREDIBILITY TO THE PRESS REPORTS. HE HAS REACTED NERVOUSLY BY STEPPING UP HARASSMENT OF THE OPPOSITION AND INCREASING THE SIZE, TRAINING, ACTIVITY, AND ARMAMENT OF HIS "DIGNITY BATTALIONS." THE OPPOSITION LEADERSHIP IS CONCERNED OVER THE NEW "EYE FOR AN EYE" PARA-MILITARY CAMPAIGN, WHICH NORIEGA HAS USED TO REMIND THE OPPOSITION OF ITS VULNERABILITY.

REGIME POLITICAL ACTIVITY

17. THE RODRIGUEZ ADMINISTRATION, UNSURPRISINGLY, REMAINS INEFFECTUAL, BUT CONTINUES TO LIMP ALONG. REGIME SOURCES INDICATE WITH SOME DEGREE OF CERTITUDE THAT NORIEGA IS UNHAPPY WITH HIS CIVILIAN PUPPETS, THAT HE MAY EVEN FIRE RODRIGUEZ, AND PLANS TO TAKE OVER THE FORMAL REIGNS OF GOVERNMENT SOON. THE ASSEMBLY OF 510 LOCAL DISTRICT REPRESENTATIVES (ANRC) CONFIRMED HIM AS "NATIONAL COORDINATOR" ON NOVEMBER 22. THIS BRINGS HIM ONE STEP CLOSER TO BEING NAMED "HEAD OF GOVERNMENT", WHICH HE AND OTHERS AROUND HIM HAVE HINTED AT FOR SOME TIME.

18. MANY VIEW THIS NORIEGA MOVE AS THE FINAL STEP TOWARD A TOTALITARIAN REGIME AND FURTHER SEVERE REPRESSION. SOME SEE THIS AS A PENDING NORIEGA MISTAKE. AS "HEAD OF GOVERNMENT", HE WOULD HAVE TO BEAR FULL OFFICIAL RESPONSIBILITY FOR REGIME ACTIONS. AT THE SAME TIME, BY INTRODUCING A NEW ELEMENT -- HIS GOVERNMENTAL ROLE -- INTO THE STALE POLITICAL SITUATION, NORIEGA MAY BE ABLE TO USE HIS USUAL MIXTURE OF OBFUSCATION AND INTIMIDATION TO BUY HIMSELF MORE TIME AND POLITICAL BREATHING SPACE.

THE OPPOSITION

19. NORIEGA'S MOST RECENT PARA-MILITARY SHOW OF FORCE FURTHER CONVINCED THE OPPOSITION THAT POLITICAL ACTION WILL RESULT ONLY IN GREATER REGIME BRUTALITY AGAINST THEM, NOT NORIEGA'S DEPARTURE. THE OPPOSITION LEADERSHIP QUIETLY HOPES THAT CLANDESTINE (AND OTHER) U.S. ACTION, POSSIBLY COUPLED WITH ANOTHER COUP WILL REMOVE NORIEGA. THE LEADERS SEE THEMSELVES PLAYING A ROLE IN THE NEXT COUP ATTEMPT AND THEIR CURRENT PREPARATIONS ARE FOCUSED ON BEING ABLE TO MOVE IN TO FILL THE GOVERNMENT VACUUM IF THE NEXT EFFORT SHOULD SUCCEED. THE CIVILIAN OPPOSITION RECOGNIZES THE POLITICAL REALITY THAT THE MILITARY IS THE MAIN POLITICAL FORCE IN PANAMA.

110. AS THE MEMORY -- AND TO SOME EXTENT THE LEGITIMACY -- OF THE MAY ELECTION RECEDES, THE PRESSURE ON THE LEADERSHIP FROM WITHIN THE OPPOSITION RANKS "TO DO SOMETHING" TO MAINTAIN POLITICAL LEGITIMACY IS GROWING, HOWEVER. OPPOSITION ABILITY TO CULTIVATE POLITICAL SUPPORT AND TRUST IN THE ADOC LEADERSHIP ARE HAMPERED BY EFFECTIVE NORIEGA INTIMIDATION AT THE GRASS ROOTS LEVEL. MEANWHILE, U.S. ECONOMIC SANCTIONS ARE CONTINUING TO HURT AND NEW MEASURES ARE UNPOPULAR. THE OPPOSITION LEADERSHIP FEARS THAT MANY PANAMANIANS -- INCLUDING THEIR FOLLOWERS -- WILL INCREASINGLY DEMAND THAT THE AMERICANS GET OFF THEIR BACKS, IF NORIEGA WON'T.

¶11. PANAMA'S OPPOSITION AND PANAMANIANS IN GENERAL RAN UP MANY SHORT TERM HILLS IN 1989 - WITH THE END ALWAYS JUST OVER THE HORIZON. MAY ELECTIONS, THE OAS NEGOTIATIONS, SEPTEMBER 1, OCTOBER 3, AND NOW JANUARY 1, 1990 HAVE ALL TOO EASILY BEEN ACCEPTED AS TARGETS FOR WHEN THE PANAMA CRISIS WOULD "HAVE TO" BE SOLVED. ALREADY ADOC LEADER GUILLERMO "BILLY" FORD IS TALKING OF FEBRUARY 25 (NICARAGUAN ELECTION DAY) AS A DATE BEFORE WHICH NORIEGA MUST FALL IF THE U.S. DOES NOT WISH TO HAVE THE PRECEDENT OF AN ANNULLED ELECTION REPEATED IN NICARAGUA . OVERALL, HOWEVER, THE OPPOSITION HAS LITTLE ENERGY LEFT TO CHARGE UP ANOTHER HILL UNLESS CONVINCED IT IS THE LAST ONE. ONLY ANOTHER COUP HOLDS OUT SUCH A PROMISE, BUT THE OPPOSITION IS NOT ABLE TO INFLUENCE THAT TO ANY SIGNIFICANT DEGREE.

THE NEXT COUP ATTEMPT

¶12. THE MOST (AND MAYBE ONLY) HOPEFUL SIGN FOR NORIEGA'S OPPONENTS IN 1990 IS THAT TROUBLES INSIDE THE FDP ARE WORSE THAN THEY HAVE EVER BEEN. REASSIGNMENTS AND PROMOTIONS FLOWING FROM THE POST-COUP PURGE ARE JUST NOW BEING MADE -- MORE THAN TWO MONTHS AFTER THE EVENT. MANY OF THE MORE "PROFESSIONAL" FDP OFFICERS AND NCO'S WERE KILLED, TORTURED, OR DISMISSED AFTER OCTOBER 3. THE SUCCESSOR CROP OF TRUE BELIEVERS HAS NEITHER THE EXPERIENCE, TRAINING OR INTELLIGENCE TO FILL THE SHOES OF THEIR PREDECESSORS. NORIEGA HAS HAD TO RELY MAINLY ON HIMSELF OR THE SUPPORT OF THIS SMALL CLIQUE OF LOYALISTS SINCE THE COUP ATTEMPT. HIS INCREASED USE OF DIGNITY BATTALIONS IS ALSO WEARING ON THE CAREER SOLDIERS. WHAT LITTLE MILITARY PRIDE THEY HAVE LEFT HAS BEEN INJURED BY THE ACTIVITIES OF THIS PARA-MILITARY RABBLE WHICH THEY FEAR WILL GET OUT OF CONTROL AND ULTIMATELY HURT THE INSTITUTION. WITH THE DIGNITY BATTALIONS AND OTHER IRREGULARS OVER 2000 IN NUMBER THE IMAGE OF A COMPETING PARA-MILITARY FORCE IS BEGINNING TO ARISE.

¶13. DISCONTENT AND FEELINGS OF REVENGE CONTINUE TO FESTER INSIDE THE FDP AND THERE ARE NUMEROUS REPORTS THAT THERE ARE "INDIVIDUALS" WHO ARE PREPARED TO ACT ON THESE EMOTIONS. ONE REGIME INSIDER RECENTLY CLAIMED THAT NORIEGA'S NOMINAL NUMBER 2, COLONEL MARCO JUSTINES, IS HIMSELF LOOKING FOR WAYS TO INCH OUT HIS BOSS. MEANWHILE, NOTORIOUS CIVILIAN SUPPORTERS OF NORIEGA, SUCH AS XXXXXXXXXXXXXXX (STRICTLY PROTECT), ARE ALREADY LOOKING BEYOND NORIEGA'S DEPARTURE IN ADVOCATING WITH EMBOFFS AN OPPOSITION DECLARATION OF AMNESTY FOR REGIME SUPPORTERS. SOURCES NOW INDICATE THAT NORIEGA SUSPECTS ANOTHER ATTEMPT TO UNSEAT HIM AS EARLY AS DECEMBER 15.

THE STATUS OF "UNRELENTING PRESSURES"

INTERNATIONAL

¶14. THE RECENT RESOLUTION OF THE OASGA CONFIRMED NORIEGA'S ISOLATION IN THE HEMISPHERE, BUT WAS MET WITH ONLY FLEETING INTEREST IN PANAMA. THE FDP'S DISINVITATION TO THE RECENT CONFERENCE OF THE AMERICAN ARMIES IN GUATEMALA WAS POTENTIALLY A MORE SERIOUS BLOW TO FDP MORALE, BUT THIS COLD SHOULDER FROM THEIR LATIN COLLEAGUES PASSED LARGELY UNNOTICED BECAUSE OF NORIEGA'S ABSOLUTE CONTROL OF INFORMATION INSIDE AND OUTSIDE HIS INSTITUTION.

¶15. AMBASSADORS OF MOST NATIONS REMAIN OUTSIDE

PANAMA, EITHER ON VACATION OR CONSULTATIONS, BUT LOCAL DIPLOMATIC ISOLATION MAY BE IN DANGER. THE FRENCH AMBASSADOR RECENTLY RETURNED FROM HIS "VACATION" TO REJOIN HIS ITALIAN AND SPANISH COLLEAGUES WHO NEVER LEFT. SEVERAL AMBASSADORS AND MILITARY ATTACHES (E.G. MEXICO) MAY VISIT THEIR FAMILIES WHICH ARE RESIDING HERE AT CHRISTMAS. NORIEGA IS MAKING ALL HE CAN OUT OF CONTACTS WITH THE USSR, THE PRC, LIBYA, CUBA, NICARAGUA, AND EVEN U.S. ANTI-ESTABLISHMENT GROUPS. HE WILL ALSO SEEK TO CONJURE UP SOME LIMITED LEGITIMACY IN HIS PLEA FOR LATIN SOLIDARITY OVER THE CANAL ADMINISTRATOR ISSUE.

ECONOMIC

¶116. THE REGIME CONTINUES TO HAVE CASH FLOW PROBLEMS, BUT THE ECONOMIC DOWNWARD SPIRAL HAS LEVELED OFF FOR NOW. NORIEGA IS ABLE TO COMBAT THE WORST DISRUPTIONS BY SALARY ADJUSTMENTS AND CONTINUED GOVERNMENT EMPLOYMENT OF LOYALISTS. UNEMPLOYMENT OVERALL IS ON THE RISE, BUT ONE OF THE "PILLARS" OF THE PANAMANIAN SERVICE ECONOMY -- THE COLON FREE ZONE -- IS HAVING RECORD SALES AND PROVIDES SOMEWHAT INCREASING EMPLOYMENT IN THE POLITICALLY VOLATILE COLON AREA.

¶117. MEANWHILE, PARA-MILITARY DIGNITY BATTALIONS ARE ENLISTING OR SCARING THE UNEMPLOYED. BUSINESSMEN, HURT BY NORIEGA AND U.S. SANCTIONS, ARE INCREASINGLY MORE LIKELY TO MOVE TOWARD ACCOMMODATION WITH NORIEGA. MANY FEEL THEY HAVE TO GIVE PRIORITY TO BEING ABLE TO STAY IN BUSINESS.

U.S. PRESSURES

¶118. FURTHER U.S. ECONOMIC SANCTIONS HEIGHTEN THE SENSE OF CRISIS IN PANAMA, CREATING THE PARADOX OF REGIME-OPPOSITION-CHURCH AGREEMENT IN OPPOSING THEM. THE ANNOUNCEMENT OF THE U.S. PORT BAN FOR PANAMANIAN FLAGGED VESSELS AND THE APPOINTMENT OF A TEMPORARY CANAL ADMINISTRATOR CREATE NEW PROBLEMS AND OPPORTUNITIES FOR NORIEGA. BANNING PANAMANIAN FLAGGED VESSELS FROM THE U.S. WILL ROB NORIEGA AND HIS CRONIES OF A CONSIDERABLE AMOUNT OF INCOME. SOME OF THE LATTER MAY EVEN JUMP SHIP AND TURN ON HIM. BUT IN THE END RESULT, MANY MORE MAY REALIZE THAT IT WAS THEY WHO DEPENDED ON HIM, NOT HE ON THEM.

¶119. THE CANAL ADMINISTRATOR APPOINTMENT OFFERS NORIEGA SOME ADDITIONAL NATIONALISTIC PEGS TO SUPPORT HIS SEARCH FOR DOMESTIC AND INTERNATIONAL SUPPORT. BLOWING THE TREATY VIOLATION AND NATIONAL SOVEREIGNTY WHISTLE MAY WELL GAIN HIM SOME SUPPORT. PLAYED WELL, HE MAY AGAIN BE ABLE TO DO WHAT HE DOES BEST: BUY TIME.

THE FUTURE OF THE PANAMA CRISIS

¶120. DOMESTIC AND FOREIGN OPPOSITION TO NORIEGA IS SHOWING SIGNS OF FATIGUE. FOREIGN ATTENTION IN PARTICULAR IS DISTRACTED BY MUCH HIGHER PROFILE REGIONAL AND INTERNATIONAL EVENTS, FROM EL SALVADOR TO BERLIN. OF COURSE, NORIEGA TOO IS TIRING, EXEMPLIFIED IN HIS SLOWNESS IN SETTLING THE TURMOIL INSIDE HIS OWN INSTITUTION. BUT HE IS A MASTER OF SURVIVAL AND ABLE TO BUILD ON THE FATIGUE OF OTHERS. RENEWED NOISES IN RECENT REGIME PRONOUNCEMENTS OF A WILLINGNESS TO "TALK" ARE A CLASSIC MANIFESTATION OF TRIED AND TRUE NORIEGA TIME-BUYING TACTICS.

¶121. THE POLITICAL TENSION IN PANAMA, INCREASED BY RECENT PRESS REVELATIONS AND U.S. SANCTIONS ANNOUNCEMENTS, WILL LIKELY EBB IN EARLY 1990, ABSENT SOME MAJOR EVENT. NORIEGA IS SHOWING NO

SIGNS THAT HE HAS ANY INTENTION OF LEAVING VOLUNTARILY. GIVEN BROAD POLITICAL REALITIES IN THIS COUNTRY, THE ONLY HOPE FOR A FIRST STEP IN CRISIS RESOLUTION IS ANOTHER COUP. WAITING FOR THAT TO HAPPEN IS THE MAIN POLITICAL PROSPECT FOR PANAMA IN 1990.

BUSHNELL